

House Study Bill 530 - Introduced

HOUSE FILE _____
BY (PROPOSED COMMITTEE
ON COMMERCE BILL BY
CHAIRPERSON COWNIE)

A BILL FOR

1 An Act relating to the acquisition of water, sanitary sewer, or
2 storm water facilities between public utilities.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. NEW SECTION. 476.59 **Water, sanitary sewer, and**
2 **storm water facilities — acquisitions — ratemaking principles.**

3 1. For purposes of this section:

4 *a. "Public utility"* means the same as defined in section
5 476.1.

6 *b. "Ratemaking principles"* means the methods or principles
7 used to establish the rate base.

8 *c. "Water, sanitary sewer, or storm water facility"* means
9 a facility used by a public utility to furnish water by piped
10 distribution, or furnish sanitary sewer or storm water drainage
11 disposal by piped collection, to the public for compensation.

12 2. *a.* A public utility shall not acquire, in whole or
13 in part, a water, sanitary sewer, or storm water facility
14 from another public utility unless the board approves the
15 acquisition. Prior to the acquisition, the applicant shall
16 file with the board a proposal for acquisition with supporting
17 testimony and evidence to establish all of the following:

18 (1) The acquisition is the result of a mutual agreement
19 between the public utilities subject to the acquisition.

20 (2) The public utilities subject to the acquisition are not
21 affiliated and share no ownership interests.

22 (3) The acquired water, sanitary sewer, or storm water
23 facility will be used to furnish water, sanitary sewer, or
24 storm water drainage disposal.

25 (4) The costs incurred by the applicant, including but not
26 limited to closing costs and other expenses incident to the
27 acquisition, will be reasonable and included in the rate base.

28 *b.* The board shall review a proposal for acquisition in the
29 same manner and by the same procedure as that for a proposal
30 for reorganization pursuant to section 476.77.

31 3. *a.* Upon the approval of a proposal for acquisition,
32 the board shall specify in advance, by order issued after a
33 contested case proceeding, the ratemaking principles that will
34 apply when the costs of the water, sanitary sewer, or storm
35 water facility are included in rates.

1 included in the rate base. The bill requires the board to
2 review a proposal for acquisition pursuant to the same manner
3 and procedure as a proposal for reorganization under Code
4 section 476.77.

5 The bill requires the board, upon the approval of a proposal
6 for acquisition, to specify advanced ratemaking principles
7 by order issued after a contested case proceeding, when the
8 costs of the water, sanitary sewer, or storm water facility are
9 included in rates. The bill defines "ratemaking principles"
10 to mean the methods or principles used to establish the rate
11 base. In determining the applicable ratemaking principles, the
12 board shall ensure that the rate base is equal to either the
13 fair market value of the acquired assets, as determined by an
14 appraisal, or a rate base otherwise approved by the board. The
15 order setting forth the applicable ratemaking principles shall
16 be issued prior to any acquisition. The ratemaking principles
17 shall be binding with regard to the specific public utility in
18 subsequent rate proceedings.